

**MOUNT AYR COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2015**



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**Mount Ayr Community School District  
Board of Education and School District Officials  
Year Ended June 30, 2015**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Patricia West	President	2015
Brandi Shay	Vice President	2015
Rodney Shields	Board Member	2017
Craig Winemiller	Board Member	2015
Kim Lutrick	Board Member	2017
<b>School District Officials</b>		
Joe Drake	Superintendent	2015
Janette Campbell	District Secretary/Treasurer	2015
Ahlers & Cooney	Attorney	Indefinite



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## **Independent Auditor's Report**

To the Board of Education  
Mount Ayr Community School District  
Mount Ayr, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Mount Ayr Community School District, Mount Ayr, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Mount Ayr Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of Matter

As discussed in Note 13 to the financial statements, Mount Ayr Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Ayr Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of the Mount Ayr Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mount Ayr Community School District's internal control over financial reporting

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

December 18, 2015

The Mount Ayr Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

## **FINANCIAL HIGHLIGHTS**

General Fund revenues decreased from \$7,477,948 in fiscal 2014 to \$7,263,201 in 2015. General Fund expenditures increased from \$7,060,504 in fiscal 2014 to \$7,146,364. The District's General Fund balance increased from \$1,900,826 in fiscal 2014 to \$2,012,836 in fiscal 2015.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net position and a Statement of Activities. These provide information about the activities of the Mount Ayr Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mount Ayr Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Mount Ayr Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various Federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

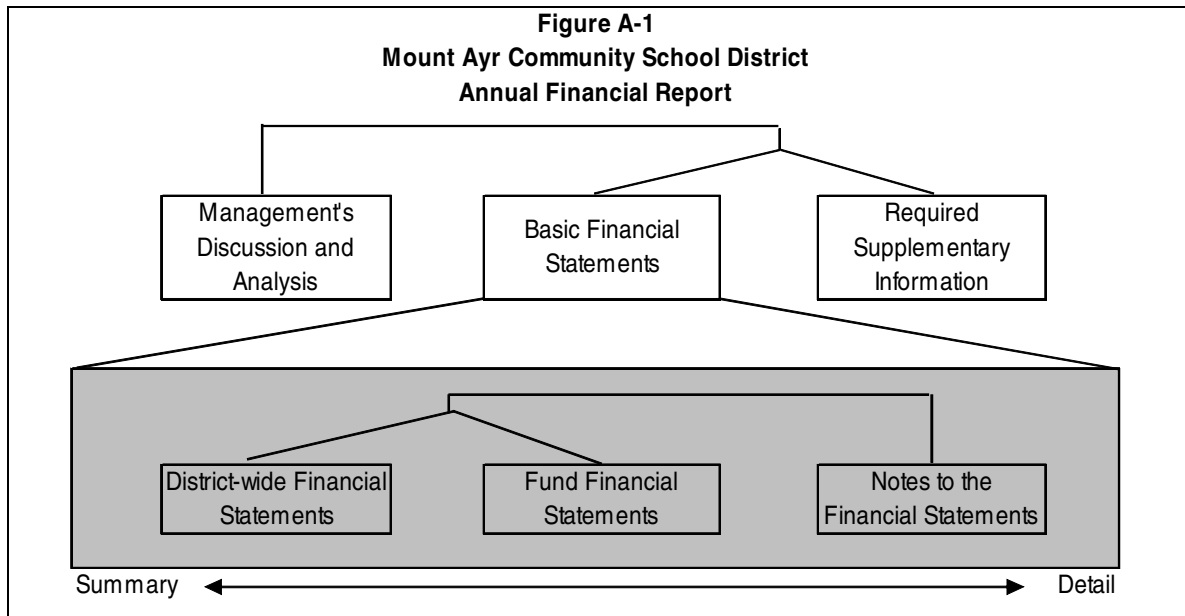




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>Major Features of the District-wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and student construction	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net position * Statement of revenues, expenses and changes in net position * Statement of cash flows	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Schoolhouse, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Farm Enterprise Account, Student Construction Fund	Burnett Scholarship, Brewer Scholarship, Anderson Scholarship, Bowersox Scholarship

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net position includes all of the District's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

**Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

**Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Student Construction Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

**Mount Ayr Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2015**

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Position</b>							
	<b>Governmental activities</b>		<b>Business type</b>		<b>Total</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	
	<b>(Not</b>	<b>(Not</b>	<b>(Not</b>	<b>(Not</b>	<b>(Not</b>	<b>(Not</b>	
	<b>restated)</b>	<b>restated)</b>	<b>restated)</b>	<b>restated)</b>	<b>restated)</b>	<b>restated)</b>	<b>2014-2015</b>
	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	
Current assets	\$ 8,861,712	6,872,003	122,709	98,323	8,984,421	6,970,326	28.9%
Capital assets, net	12,815,068	13,254,389	42,154	43,923	12,857,222	13,298,312	-3.3%
<b>Total assets</b>	<b>21,676,780</b>	<b>20,126,392</b>	<b>164,863</b>	<b>142,246</b>	<b>21,841,643</b>	<b>20,268,638</b>	<b>7.8%</b>
Deferred outflows of resources	341,076	-	14,539	-	355,615	-	-
<b>Total deferred outflows of resources</b>	<b>341,076</b>	<b>-</b>	<b>14,539</b>	<b>-</b>	<b>355,615</b>	<b>-</b>	<b>-</b>
Current liabilities	1,842,472	5,312,977	30,842	26,791	1,873,314	5,339,768	-64.9%
Long-term liabilities	9,006,629	8,024,987	104,401	-	9,111,030	8,024,987	13.5%
<b>Total liabilities</b>	<b>10,849,101</b>	<b>13,337,964</b>	<b>135,243</b>	<b>26,791</b>	<b>10,984,344</b>	<b>13,364,755</b>	<b>-17.8%</b>
Deferred inflows of resources	4,499,389	3,212,705	39,304	-	4,538,693	3,212,705	-
<b>Total deferred inflows of resources</b>	<b>4,499,389</b>	<b>3,212,705</b>	<b>39,304</b>	<b>-</b>	<b>4,538,693</b>	<b>3,212,705</b>	<b>-</b>
Net position:							
Invested in capital assets, net of related debt	5,557,088	5,304,030	42,154	43,923	5,599,242	5,347,953	4.7%
Restricted	2,406,145	913,222	-	-	2,406,145	913,222	163.5%
Unrestricted	(1,293,867)	1,675,205	(37,299)	71,532	(1,331,166)	1,746,737	-176.2%
<b>Total net position</b>	<b>\$ 6,669,366</b>	<b>7,892,457</b>	<b>4,855</b>	<b>115,455</b>	<b>6,674,221</b>	<b>8,007,912</b>	<b>-16.7%</b>

The District's combined net position decreased by nearly 16.7%, or approximately \$1,333,691 under the prior year. The largest portion of the District's net position is invested in capital assets, e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

**Mount Ayr Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2015**

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$1,492,923, or 163.5 % under the prior year. Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints by debt covenants, enabling legislation or other legal requirements) decreased approximately \$3,077,903 or 176.2%.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,967,016 and \$130,732, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

<b>Figure A-4 Changes in Net Position</b>							
	<b>Governmental Activities</b>		<b>Business type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>June 30,</b>
	<b>2014</b>		<b>2014</b>		<b>2014</b>		
	<b>(Not</b>		<b>(Not</b>		<b>(Not</b>		
	<b>restated)</b>		<b>restated)</b>		<b>restated)</b>		
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2014-2015</b>
Revenues:							
Program revenues:							
Charges for service and sales	\$ 911,661	976,416	216,288	231,017	1,127,949	1,207,433	-6.6%
Operating grants, contributions and restricted interest	1,154,143	1,109,194	229,829	228,307	1,383,972	1,337,501	3.5%
General revenues:							
Property tax	3,610,559	3,828,697	-	-	3,610,559	3,828,697	-5.7%
Statewide sales, services and use tax	597,092	439,296	-	-	597,092	439,296	35.9%
Unrestricted states grants	2,918,088	2,837,795	-	-	2,918,088	2,837,795	2.8%
Unrestricted investment earnings	11,271	7,652	-	-	11,271	7,652	47.3%
Other	1,140,131	238,849	10,000	-	1,150,131	238,849	381.5%
Total revenues	10,342,945	9,437,899	456,117	459,324	10,799,062	9,897,223	9.1%
Program expenses:							
Governmental activities:							
Instruction	5,618,986	5,418,302	-	-	5,618,986	5,418,302	3.7%
Support services	2,314,813	2,610,977	-	-	2,314,813	2,610,977	-11.3%
Non-instructional programs	15,678	16,477	435,985	395,855	451,663	412,332	9.5%
Other expenses	649,543	715,483	-	-	649,543	715,483	-9.2%
Total expenses	8,599,020	8,761,239	435,985	395,855	9,035,005	9,157,094	-1.3%
Change in net position	1,743,925	676,660	20,132	63,469	1,764,057	740,129	182.5%
Net position beginning of year, as restated	4,925,441	7,215,797	(15,277)	51,986	4,910,164	7,267,783	-32.4%
Net position end of year	\$ 6,669,366	7,892,457	4,855	115,455	6,674,221	8,007,912	-16.7%

In fiscal year 2015, property tax and unrestricted state grants account for 63.12% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92.26% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$10,342,945 and expenses were \$8,599,020.

The cost financed by users of the District's programs was \$911,661.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,154,143.

The net cost of governmental activities was financed with \$4,207,651 in property and other taxes and \$2,918,088 in unrestricted state grant.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Change	Net Cost of Services	
	2014				2014	
	(Not				(Not	
	2015	restated)	2014-2015		2015	restated)
						2014-2015
Instruction	\$ 5,618,986	5,418,302	3.7%		3,812,016	3,598,038
Support services	2,314,813	2,610,977	-11.3%		2,314,813	2,592,377
Non-instructional programs	15,678	16,477	-4.8%		15,678	16,477
Other expenses	649,543	715,483	-9.2%		390,709	468,737
Totals	\$ 8,599,020	8,761,239	-1.9%		6,533,216	6,675,629

### Business Type Activities

Revenues for business type activities were \$456,117 and expenses were \$435,985. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District increased meal prices in 2014-2015. This increase has resulted in increased revenue to the School Nutrition Fund which the District will utilize in the future to offset the rising costs of food and labor.

The following table (Figure A-5) presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Mount Ayr Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,174,238 over last year's ending fund balances of \$2,754,231. The primary reason for the increase in combined fund balances in fiscal 2015 is due to a donation made to the Capital Projects fund for an auditorium renovation that will be completed in the 2016 fiscal year..

### Governmental Fund Highlights

The District's General Fund financial position has strengthened compared to the 2014-2015 school year. The General Fund balance increased from \$1,900,826 in 2013-2014 to \$2,012,836 in 2014-2015. By implementing budget cuts and increasing revenues through property taxes, the district was able to end the 2014-2015 fiscal year with a positive balance.

**Mount Ayr Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2015**

The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$-9,251 in fiscal 2014 to \$ 68,339 in 2015. The District levied for the PEEL Fund and will use those funds for the purchase of a new school bus in 2015-2016. There was a net change in fund balance of \$77,590.

The Statewide Sales, Service and Use Tax Fund balance increased from \$527,156 in 2014 to \$780,253 in 2015.

**Proprietary Fund Highlights**

Proprietary Fund net position increased from \$-15,277 at June 30, 2014 to \$4,855 at June 30, 2015, representing an increase of approximately 314.67%. As previously noted, the District increased meal prices in 2014-2015 along with cutting personnel in the Lunch Fund.

**BUDGETARY HIGHLIGHTS**

The District's receipts were \$10,630,182 which was \$1,186,508 more than budgeted receipts. The most significant variance resulted from the increase in local sources.

Total expenditures were \$2,407,085 less than budgeted, due to the fact that instructional and support services were much less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Funds. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2015, the District had invested \$12.86 million, net of accumulated depreciation in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3.3% from last year.

**Figure A-6  
Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 145,185	145,185	-	-	145,185	145,185	0.0%
Buildings	12,054,283	12,407,494	-	-	12,054,283	12,407,494	-2.8%
Improvements other than buildings	92,023	98,023	-	-	92,023	98,023	-6.1%
Furniture and equipment	523,577	603,687	42,154	43,923	565,731	647,610	-12.6%
Totals	\$ 12,815,068	13,254,389	42,154	43,923	12,857,222	13,298,312	-3.3%

**Long-Term Debt**

At June 30, 2015, the district had \$9,724,057 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 21.5% from last year. (See Figure A-7).

**Figure A-7**  
**Outstanding Long-Term Obligations, net premiums and discounts**

	June 30,		Total
	2015	2014	Change
General obligation bonds	\$ 5,210,000	5,735,000	-9.2%
Revenue bonds	1,985,000	2,145,000	-7.5%
Bond premiums	89,888	99,216	-9.4%
Bond discounts	(26,908)	(28,857)	-6.8%
Early retirement	30,228	50,170	-39.7%
Net pension liability	2,417,853	-	-
Net OPEB liability	17,996	-	-
Totals	\$ 9,724,057	8,000,529	21.5%

On October 1, 2001 the District authorized Energy Management Improvement Capital Loan Notes in the amount of \$225,000 bearing interest and maturing each year until December 1, 2012. In March of 2008, the District approved General Obligation School Bonds in the amount of \$6,700,000 and maturing each year until May 1, 2028. In September of 2009, the District passed School Infrastructure Sales, Services, and Use Tax Revenue Bonds in the amount of \$2,885,000. In March of 2014, The District refinanced their General Obligation Bonds in the amount of \$6,615,000 maturing each year until May 1, 2025.

#### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

Mount Ayr Community School District serves a population of approximately 5,131, according to the 2010 census, mostly in southern Iowa's Ringgold County. District residents are, in general, employed locally and within the area's agricultural sector, but some residents commute to other employment options throughout neighboring counties. Leading local employers include the county hospital, the district, and other healthcare-related employers. Despite the somewhat limited local economy, countywide unemployment has historically been low; unemployment was 3.1% in June 2015, below state and well below national rates.

Enrollment has decreased 6.4 students since the October 2014 count. The Iowa Department of Education projects enrollment to increase to 634 students in the 2016-2017 school year. Management is projecting stable enrollment over the next several years.

The school district refinanced their general obligation bonds during the 2014 school year for interest cost savings and to shorten amortization by three years. Standard & Poor's Ratings Services assigned its 'A' long-term rating to the Mount Ayr Community School District. With this rating is the optimism that the district will continue its plan to increase and maintain reserves at strong levels despite potentially decreased enrollment.

The Mount Ayr Community School District approved the \$1.34 voter approved physical plant and equipment property tax levy for the 2015-2016 school year in order to help finance a new heating and cooling system for the district. The District will be renovating the auditorium in the spring of 2016 with the help of a generous donation, grants, and community support.

The District's valuations increased from \$239,763,227 for the 2014-2015 school year to \$246,292,828 for the 2015-2016 school year.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janette Campbell, District Secretary/Treasurer and Business Manager, Mount Ayr Community School District, 1001 East Columbus Street, Mount Ayr, IA 50854.

## **Basic Financial Statements**



**Mount Ayr Community School District**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 4,605,260	102,434	4,707,694
Receivables:			
Property tax:			
Delinquent	44,246	-	44,246
Succeeding year	3,747,504	-	3,747,504
Accounts	32,017	10,193	42,210
Due from other governments	432,685	-	432,685
Inventories	-	10,082	10,082
Total current assets	8,861,712	122,709	8,984,421
Noncurrent assets:			
Capital assets:			
Capital assets - nondepreciable	145,185	-	145,185
Capital assets - depreciable, net	12,669,883	42,154	12,712,037
Total non current assets	12,815,068	42,154	12,857,222
<b>Total assets</b>	<b>\$ 21,676,780</b>	<b>164,863</b>	<b>21,841,643</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	341,076	14,539	355,615
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 127,621	2,537	130,158
Salaries and benefits payable	671,807	28,305	700,112
Due to other governments	140,805	-	140,805
Advances from grantors	170,215	-	170,215
Accrued interest payable	14,596	-	14,596
General obligation bonds	535,000	-	535,000
Revenue bonds	160,000	-	160,000
Early retirement	22,428	-	22,428
Total current liabilities	1,842,472	30,842	1,873,314
Noncurrent liabilities:			
General obligation bonds	4,760,617	-	4,760,617
Revenue bonds	1,802,363	-	1,802,363
Early retirement	7,800	-	7,800
Net pension liability	2,417,853	103,061	2,520,914
Net OPEB liability	17,996	1,340	19,336
Total noncurrent liabilities	9,006,629	104,401	9,111,030
<b>Total liabilities</b>	<b>10,849,101</b>	<b>135,243</b>	<b>10,984,344</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	3,577,289	-	3,577,289
Pension related deferred inflows	922,100	39,304	961,404
<b>Total deferred inflows of resources</b>	<b>4,499,389</b>	<b>39,304</b>	<b>4,538,693</b>

Exhibit A

**Mount Ayr Community School District**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities	Business Type Activities	Total
<b>Net Position</b>			
Net investment in capital assets	5,557,088	42,154	5,599,242
Restricted for:			
Categorical funding	289,567	-	289,567
Management levy purposes	271,567	-	271,567
Student activities	195,714	-	195,714
Debt service	250,002	-	250,002
Capital projects	1,330,956	-	1,330,956
Physical, plant and equipment	68,339	-	68,339
Unrestricted	(1,293,867)	(37,299)	(1,331,166)
<b>Total net position</b>	<b>\$ 6,669,366</b>	<b>4,855</b>	<b>6,674,221</b>

See notes to financial statements.

**Mount Ayr Community School District**  
**Statement of Activities**  
**Year ended June 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,899,904	256,742	620,877	(2,022,285)	-	(2,022,285)
Special	1,307,690	201,083	220,960	(885,647)	-	(885,647)
Other	1,411,392	453,836	53,472	(904,084)	-	(904,084)
	5,618,986	911,661	895,309	(3,812,016)	-	(3,812,016)
Support Services:						
Student	223,935	-	-	(223,935)	-	(223,935)
Instructional staff	182,446	-	-	(182,446)	-	(182,446)
Administration	788,012	-	-	(788,012)	-	(788,012)
Operating and maintenance of plant	691,524	-	-	(691,524)	-	(691,524)
Transportation	428,896	-	-	(428,896)	-	(428,896)
	2,314,813	-	-	(2,314,813)	-	(2,314,813)
Non-instructional programs	15,678	-	-	(15,678)	-	(15,678)
Other expenditures:						
Facilities acquisition	198,100	-	-	(198,100)	-	(198,100)
Long-term debt interest	180,851	-	-	(180,851)	-	(180,851)
AEA flowthrough	258,834	-	258,834	-	-	-
Depreciation (unallocated)*	11,758	-	-	(11,758)	-	(11,758)
	649,543	-	258,834	(390,709)	-	(390,709)
Total governmental activities	8,599,020	911,661	1,154,143	(6,533,216)	-	(6,533,216)
Business type activities:						
Non-instructional programs:						
Nutrition services	370,765	162,381	229,829	-	21,445	21,445
Before and after school program	65,220	53,907	-	-	(11,313)	(11,313)
Total business type activities	435,985	216,288	229,829	-	10,132	10,132
Total primary government	\$ 9,035,005	1,127,949	1,383,972	(6,533,216)	10,132	(6,523,084)

**Mount Ayr Community School District**  
**Statement of Activities**  
**Year ended June 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Totals from previous pages	\$ 9,035,005	1,127,949	1,383,972	(6,533,216)	10,132	(6,523,084)
General revenues:						
Property tax levied for:						
General purposes				2,901,664	-	2,901,664
Debt service				624,541	-	624,541
Capital outlay				84,354	-	84,354
Statewide sales, services and use tax				597,092	-	597,092
Unrestricted state grants				2,918,088	-	2,918,088
Contributions not restricted to specific programs				923,961	-	923,961
Unrestricted investment earnings				11,271	-	11,271
Gain on sale of capital assets				12,584	-	12,584
Transfers				(10,000)	10,000	-
Fiscal agent				155,030	-	155,030
Other				58,556	-	58,556
Total general revenues				8,277,141	10,000	8,287,141
Change in net position				1,743,925	20,132	1,764,057
Net position beginning of year, as restated				4,925,441	(15,277)	4,910,164
Net position end of year				\$ 6,669,366	4,855	6,674,221

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## Exhibit C

**Mount Ayr Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Assets</b>					
Cash and pooled investments	\$ 2,574,107	1	1,585,155	445,997	4,605,260
Receivables:					
Property tax:					
Delinquent	30,883	8,170	1,104	4,089	44,246
Succeeding year	2,486,069	624,076	437,359	200,000	3,747,504
Accounts	19,129	-	9,500	2,369	30,998
Interest	1,019	-	-	-	1,019
Due from other funds	-	-	-	17,615	17,615
Due from other governments	309,990	-	92,581	30,114	432,685
<b>Total assets</b>	<b>\$ 5,421,197</b>	<b>632,247</b>	<b>2,125,699</b>	<b>700,184</b>	<b>8,879,327</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 93,265	7,304	25,314	1,475	127,358
Salaries and benefits payable	670,607	-	-	1,200	671,807
Due to other funds	17,615	-	-	-	17,615
Due to other governments	140,805	-	-	-	140,805
<b>Total liabilities</b>	<b>922,292</b>	<b>7,304</b>	<b>25,314</b>	<b>2,675</b>	<b>957,585</b>
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	2,315,854	624,076	437,359	200,000	3,577,289
Income surtax	170,215	-	-	-	170,215
<b>Total deferred inflows of resources</b>	<b>2,486,069</b>	<b>624,076</b>	<b>437,359</b>	<b>200,000</b>	<b>3,747,504</b>
Fund balances:					
Restricted for:					
Categorical funding	289,567	-	-	-	289,567
Debt service	-	867	263,731	-	264,598
Management levy purposes	-	-	-	301,795	301,795
Student activities	-	-	-	195,714	195,714
School infrastructure	-	-	1,330,956	-	1,330,956
Physical, plant and equipment	-	-	68,339	-	68,339
Unassigned	1,723,269	-	-	-	1,723,269
<b>Total fund balances</b>	<b>2,012,836</b>	<b>867</b>	<b>1,663,026</b>	<b>497,509</b>	<b>4,174,238</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,421,197</b>	<b>632,247</b>	<b>2,125,699</b>	<b>700,184</b>	<b>8,879,327</b>

See notes to financial statements.

Exhibit D

**Mount Ayr Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
June 30, 2015**

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<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>\$ 4,174,238</b>
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***Amounts reported for governmental activities in the  
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,815,068
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The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	(263)
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Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in governmental funds, as follows:

Deferred outflows of resources	\$ 341,076	
Deferred inflows of resources	(922,100)	(581,024)

Long-term liabilities, including bonds and notes payable, compensated absences, accrued interest, other postemployment benefits, net pension liability and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:

General obligation bonds	(5,210,000)	
Revenue bonds	(1,985,000)	
Bond discount	26,908	
Bond issuance premiums	(89,888)	
Accrued interest	(14,596)	
Net pension liability	(2,417,853)	
Net OPEB liability	(17,996)	
Early Retirement	(30,228)	(9,738,653)

<b>Net position of governmental activities (Exhibit A)</b>	<b>\$ 6,669,366</b>
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See notes to financial statements.

## Exhibit E

**Mount Ayr Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2015**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 2,595,737	624,541	84,388	301,500	3,606,166
Tuition	423,034	-	-	-	423,034
Other	166,691	5	855,378	457,700	1,479,774
Intermediate sources	17,949	-	-	-	17,949
State sources	3,720,727	250	597,102	-	4,318,079
Federal sources	339,063	-	-	-	339,063
Total revenues	7,263,201	624,796	1,536,868	759,200	10,184,065
Expenditures:					
Current:					
Instruction:					
Regular	2,576,477	-	-	34,841	2,611,318
Special	1,318,543	-	-	-	1,318,543
Other	985,318	-	-	410,465	1,395,783
	4,880,338	-	-	445,306	5,325,644
Support services:					
Student	222,916	-	-	-	222,916
Instructional staff	178,053	-	-	-	178,053
Administration	638,761	4,000	142	143,000	785,903
Operation and maintenance of plant	628,176	-	5,000	46,956	680,132
Transportation	339,286	-	37,900	14,763	391,949
	2,007,192	4,000	43,042	204,719	2,258,953
Other expenditures:					
Facilities acquisition	-	-	203,699	-	203,699
Long-term debt:					
Principal	-	685,000	-	-	685,000
Interest and fiscal charges	-	189,542	-	-	189,542
AEA flowthrough	258,834	-	-	-	258,834
	258,834	874,542	203,699	-	1,337,075
Total expenditures	7,146,364	878,542	246,741	650,025	8,921,672
Excess (deficiency) of revenues over (under) expenditures	116,837	(253,746)	1,290,127	109,175	1,262,393
Other financing sources:					
Operating transfers in	-	254,087	-	-	254,087
Operating transfers out	-	-	(254,087)	(10,000)	(264,087)
Fiscal agent sources	18,209	-	109,081	63,360	190,650
Fiscal agent uses	(35,620)	-	-	-	(35,620)
Sale of equipment	12,584	-	-	-	12,584
Total other financing sources (uses)	(4,827)	254,087	(145,006)	53,360	157,614
Change in fund balances	112,010	341	1,145,121	162,535	1,420,007
Fund balances beginning of year	1,900,826	526	517,905	334,974	2,754,231
Fund balances end of year	\$ 2,012,836	867	1,663,026	497,509	4,174,238

See notes to financial statements.

**Mount Ayr Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2015**

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**Net change in fund balances - total governmental funds (Exhibit E)** **\$ 1,420,007**

***Amounts reported for governmental activities in the  
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 5,599	
Depreciation expense	<u>(444,920)</u>	(439,321)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. Current year items are as follows:

Repayments of bond and note principal	685,000	
Amortization of premiums and discounts	<u>7,378</u>	692,378

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,313

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

241,344

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Early retirement	19,942	
Pension expense	(173,184)	
Other postemployment benefits	<u>(17,996)</u>	(171,238)

The change in Net Position of the Internal Service Funds represent an undercharge to the governmental funds served and, therefore, increases expenses in the Statement of Activities.

(558)

**Change in net position of governmental activities (Exhibit B)** **\$ 1,743,925**

See notes to financial statements.



## Exhibit G

**Mount Ayr Community School District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business Type Activities Non-major Enterprise Fund	Governmental Activities Internal Services Fund
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 102,434	-
Accounts receivable	10,193	-
Inventories	10,082	-
Total current assets	122,709	-
Non-current assets:		
Property and equipment:		
Machinery and equipment	291,117	-
Accumulated depreciation	(248,963)	-
Total non-current assets	42,154	-
<b>Total assets</b>	<b>\$ 164,863</b>	<b>-</b>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	14,539	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 2,537	263
Salaries and benefits payable	28,305	-
Total current liabilities	30,842	263
Non-current liabilities:		
Net pension liability	103,061	-
Net OPEB liability	1,340	-
Total current liabilities	104,401	-
<b>Total liabilities</b>	<b>135,243</b>	<b>263</b>
<b>Deferred Inflows of Resources</b>		
Pension related deferred inflows	39,304	-
<b>Net Position</b>		
Net investment in capital assets	42,154	-
Unrestricted	(37,299)	(263)
<b>Total net position</b>	<b>\$ 4,855</b>	<b>(263)</b>

See notes to financial statements.

Exhibit H

**Mount Ayr Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year ended June 30, 2015**

	Business Type Activities	Governmental Activities
	Non-major Enterprise Fund	Internal Services Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 216,288	1,266
Operating expenses:		
Instructional programs:		
Instruction:		
Other	65,220	-
Administration		
Services	-	1,824
	65,220	1,824
Non-instructional programs:		
Food service operations:		
Depreciation	1,769	-
Other	368,996	-
	370,765	-
Total operating expenses	435,985	1,824
Operating loss	(219,697)	(558)
Non-operating revenues:		
State sources	3,597	-
Federal sources	226,232	-
Transfer in	10,000	-
Total non-operating revenues	239,829	-
Change in net position	20,132	(558)
Net position beginning of year, as restated	(15,277)	295
Net position end of year	\$ 4,855	(263)

See notes to financial statements.

**Mount Ayr Community School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2015**

	Business Type Activities Non-major Enterprise Fund	Governmental Activities Internal Services Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 160,024	-
Cash received from miscellaneous operating activities	53,577	1,266
Cash paid to employees for services	(204,120)	-
Cash paid to suppliers for goods or services	(203,421)	(1,561)
Net cash (used) by operating activities	(193,940)	(295)
Cash flows from non-capital financing activities:		
State grants received	3,597	-
Federal grants received	203,036	-
Net cash provided by non-capital financing activities	206,633	-
Cash flows from capital and related financing activities:		
Transfers	10,000	-
	10,000	-
Net increase (decrease) in cash and cash equivalents	22,693	(295)
Cash and cash equivalents at beginning of year	79,741	295
Cash and cash equivalents at end of year	\$ 102,434	-
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>		
Operating (loss)	\$ (219,697)	(558)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Commodities used	23,196	-
(Increase) in accounts receivable	(2,687)	-
Depreciation	1,769	-
Decrease in inventories	994	-
(Decrease) in accounts payable	218	263
Increase in salaries and benefits payable	3,833	-
(Decrease) in net pension liability	(42,856)	-
Increase in net OPEB liability	1,340	-
Decrease in deferred outflows of resources	646	-
Increase in deferred inflows of resources	39,304	-
Net cash (used) by operating activities	\$ (193,940)	(295)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>		
Current assets:		
Cash	\$ 102,434	-
Cash and cash equivalents at year end	\$ 102,434	-

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2015, the District received federal commodities valued at \$23,196.

See notes to financial statements.

Exhibit J

**Mount Ayr Community School District  
Statement of Fiduciary Net Position  
Fiduciary and Agency Funds  
June 30, 2015**

	Expendable Trust Funds	Agency Fund
	Memorial Fund	Clearfield School Dissolution Fund
<b>Assets</b>		
Cash and investments	\$ 704	\$ 105,310
<b>Total assets</b>	<u>704</u>	<u>105,310</u>
<b>Liabilities</b>		
Accounts payable	-	4,930
Due to other funds	-	30,114
Due to other governments	-	70,266
<b>Total liabilities</b>	<u>-</u>	<u>\$ 105,310</u>
<b>Net position</b>		
Held in trust for special purposes	<u>\$ 704</u>	

See notes to financial statements.

Exhibit K

**Mount Ayr Community School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

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	<u>Expendable Trust Funds</u>
	<u>Memorial Fund</u>
Additions	\$ -
Deductions	-
Change in net position	-
Net position beginning of year	<u>704</u>
Net position end of year	<u>\$ 704</u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

The Mount Ayr Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Mount Ayr, Iowa, and the predominate agricultural territories in Ringgold and Taylor Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mount Ayr Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Mount Ayr Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Ringgold County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The District reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The District reports the following non-major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Enterprise, Sites for Learning Fund is used to account for transactions related to the before and after school program providing recreational activities for elementary age children.

Internal Service Funds: The internal service funds are used to account for goods or services provided by one department to other departments of the District on a cost reimbursement basis. The District has the following internal service fund:

Flexible Benefits: This fund accounts for transactions for certain benefits available to District employees in which the District is responsible for paying all premiums or costs specified by the employee.

The District also report fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

Expendable Trust Fund is used to account for assets held by the District for special projects of the District with funds given by individuals, private organizations and other governments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and early retirement are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services,



administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the other expenditures functional areas.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects Fund - Statewide	
	Sales, Services and Use tax	\$ 254,087
Proprietary Fund -	Special Revenue Fund -	
Sites for Learning	Student Activity	10,000
Total		<u>\$ 264,087</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 145,185	-	-	145,185
Total capital assets not being depreciated	145,185	-	-	145,185
Capital assets being depreciated:				
Buildings	19,096,322	-	-	19,096,322
Improvements other than buildings	437,424	-	-	437,424
Furniture and equipment	3,441,791	5,599	-	3,447,390
Total capital assets being depreciated	22,975,537	5,599	-	22,981,136
Less accumulated depreciation for:				
Buildings	6,688,828	353,211	-	7,042,039
Improvements other than buildings	339,401	6,000	-	345,401
Furniture and equipment	2,838,104	85,709	-	2,923,813
Total accumulated depreciation	9,866,333	444,920	-	10,311,253
Total capital assets being depreciated, net	13,109,204	(439,321)	-	12,669,883
Governmental activities capital assets, net	\$ 13,254,389	(439,321)	-	12,815,068
<b>Business type activities:</b>				
Furniture and equipment	\$ 291,117	-	-	291,117
Less accumulated depreciation	247,194	1,769	-	248,963
Business type activities capital assets, net	\$ 43,923	(1,769)	-	42,154

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 328,912
Special	7,817
Other	15,634

Support services:

Student	3,909
Instructional staff	4,382
Administration	4,269
Operation and maintenance of plant	14,717
Transportation	37,372
Non-instructional programs	15,634

432,646

Unallocated 12,274

Total depreciation expense - governmental activities \$ 444,920

Business type activities:

Food services	\$ 1,769
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(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,735,000	-	525,000	5,210,000	535,000
Revenue bonds	2,145,000	-	160,000	1,985,000	160,000
Bond premiums	99,216	-	9,328	89,888	-
Bond discounts	(28,857)	-	(1,949)	(26,908)	-
Net pension liability	3,423,286	-	1,005,433	2,417,853	-
Net OPEB liability	-	36,786	18,790	17,996	-
Early retirement	50,170	29,056	48,998	30,228	22,428
Total	\$ 11,423,815	65,842	1,765,600	9,724,057	717,428
Business type activities					
Net pension liability	\$ 145,917	-	42,856	103,061	-
Net OPEB liability	-	1,990	650	1,340	-
Total	\$ -	1,990	650	1,340	-

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2013				
Year ended June 30,	Rates	Principal	Interest	Total
2016	1.500%	\$ 535,000	87,575	622,575
2017	1.500%	540,000	79,550	619,550
2018	1.500%	550,000	71,450	621,450
2019	1.500%	555,000	63,200	618,200
2020	1.500%	565,000	54,875	619,875
2021	1.750%	575,000	46,400	621,400
2022	1.750%	585,000	36,338	621,338
2023	2.000%	595,000	26,100	621,100
2024	2.000%	510,000	14,200	524,200
2025	2.000%	200,000	4,000	204,000
Total		\$ 5,210,000	483,688	5,693,688

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of September 1, 2009				
Year ended June 30,	Rates	Principal	Interest	Total
2016	3.500%	\$ 160,000	88,892	248,892
2017	3.750%	155,000	83,292	238,292
2018	4.000%	150,000	77,480	227,480
2019	4.125%	150,000	71,480	221,480
2020	4.250%	145,000	65,292	210,292
2021	4.400%	145,000	59,130	204,130
2022	4.500%	140,000	52,750	192,750
2023	4.625%	140,000	46,450	186,450
2024	4.750%	140,000	39,975	179,975
2025	5.000%	135,000	33,325	168,325
2026	5.000%	135,000	26,575	161,575
2027	5.000%	130,000	19,825	149,825
2028	5.125%	130,000	13,325	143,325
2029	5.125%	130,000	6,662	136,662
Total		\$ 1,985,000	684,453	2,669,453

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,885,000 of bonds issued in September, 2009. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,669,453. For the current year, \$160,000 of principal and \$94,092 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$597,092.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$263,731 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all of the revenue bond provisions during the year ended June 30, 2015.

**(6) Pension Plan**

Pension Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first.. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$377,658.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,520,914 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.0062290 percent, which was a decrease of 0.000748 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$68,160. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Mount Ayr Community School District**  
**Notes to Financial Statements**  
**June 30, 2015**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,397	-
Changes of assumptions	111,254	-
Net difference between projected and actual earnings on pension plan investments	-	961,404
Changes in proportion and differences between District contributions and proportionate share of contributions	(34,667)	-
District contributions subsequent to the measurement date	251,631	-
Total	<u>\$ 355,615</u>	<u>961,404</u>

\$251,631 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June, 30	
2016	\$ (216,056)
2017	(216,056)
2018	(216,056)
2019	(216,056)
2020	6,804
	<u>\$ (857,420)</u>

There are no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 4,763,196	\$ 2,520,914	\$ 628,195

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$34,117 for legally required employer contributions and \$22,726 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

## (7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 109 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 39,791
Interest on net OPEB	(232)
Adjustments to annual required contribution	(783)
Annual OPEB cost	38,776
Contributions made	19,440
Increase in net OPEB obligation	19,336
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	\$ 19,336

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$37,985 to the medical plan. Plan members eligible for benefits contributed \$37,985, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 28,500	177.50%	\$ (22,100)
June 30, 2011	25,450	13.16%	-
June 30, 2012	24,687	100.00%	-
June 30, 2013	30,519	100.00%	-
June 30, 2014	29,493	100.00%	-
June 30, 2015	38,776	50.13%	19,336

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$218,379, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$218,379. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,266,265, and the ratio of the UAAL to covered payroll was 5.1%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$289 per month for retirees less than age 65 and \$300 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Termination Benefits**

The District offers a voluntary early retirement plan to its full-time, certified employees. Eligible employees must be at least age fifty-four by September 1, but not more than sixty-two years of age by June 1 preceding the year of retirement and employees must have completed ten years of service to the District. Employees must complete an application and an attached letter of resignation which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is the difference between the salary schedule base and the employee's placement on the salary schedule using the salary schedule in effect for the last year of employment and subject to a maximum of \$19,475 to \$36,000 per individual depending upon the individual's level of education and service to the District.

Early retirement benefits are paid monthly and cease when the retiree reaches the age of 65.

At June 30, 2015, the District has obligations to 5 participants with a total liability of \$30,228. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$46,598.

**(9) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$258,834 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**11) Operating Leases**

the district leases copy machines under noncancelable operating leases. Total costs for such leases were approximately \$40,211 for the year ended June 30, 2015. The future minimum lease payments for these leases are as follows:

Year ending June 30:	
2016	\$ 40,211
2017	40,211
2018	40,211
	<u>\$ 120,633</u>

**12) Fiscal Agent**

Under an intergovernmental agreement between Clearfield Community School District, Mount Ayr Community School District, Bedford Community School District, Lenox Community School District, and Diagonal Community School District, the Clearfield Community School District agreed to combine its services with the other Districts for the purpose of enhancing the educational services provided to the District's citizens. On June 30, 2014, Mount Ayr Community School District became the fiscal agent for this agreement. As of June 30, 2015, there were \$105,310 of assets and liabilities in the District's agency fund related to this activity. All funds will be depleted by June 30, 2016.

**13) Accounting Change/Restatement**

The Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 7,892,457	115,455
Net pension liability at June 30, 2014	(3,423,286)	(145,917)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	356,249	15,185
Due from other governments restatement	100,021	-
Net position July 1, 2014, as restated:	<u>\$ 4,925,441</u>	<u>(15,277)</u>

### **Required Supplementary Information**

**Mount Ayr Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2015**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 5,508,974	216,288	5,725,262	5,107,690	617,572
Intermediate sources	17,949	-	17,949	25,000	(7,051)
State sources	4,318,079	3,597	4,321,676	3,725,984	595,692
Federal sources	339,063	226,232	565,295	585,000	(19,705)
Total revenues	10,184,065	446,117	10,630,182	9,443,674	1,186,508
Expenditures:					
Instruction	5,325,644	65,220	5,390,864	6,124,595	733,731
Support services	2,258,953	-	2,258,953	3,952,562	1,693,609
Non-instructional programs	-	370,765	370,765	521,350	150,585
Other expenditures	1,337,075	-	1,337,075	1,166,235	(170,840)
Total expenditures	8,921,672	435,985	9,357,657	11,764,742	2,407,085
Excess (deficiency) of revenues over (under) expenditures	1,262,393	10,132	1,272,525	(2,321,068)	3,593,593
Other financing sources, net	157,614	10,000	167,614	5,000	162,614
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,420,007	20,132	1,440,139	(2,316,068)	3,756,207
Balances beginning of year, restated	2,754,231	(15,277)	2,738,954	2,583,843	155,111
Balances end of year	\$ 4,174,238	4,855	4,179,093	267,775	3,911,318

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year Ended June 30, 2015**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures in the other expenditures function exceeded the amounts budgeted.

**Mount Ayr Community School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Iowa Public Employee's Retirement System**  
**Last Fiscal Year\* (In Thousands)**  
**Required Supplementary Information**

	2015
District's proportion of the net pension liability	0.062290%
District's proportion of the net pension pension liability	\$ 2,521
District's covered-employee payroll	\$ 4,191
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.15%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.



**Mount Ayr Community School District**  
**Schedule of District Contributions**  
**Iowa Public Employees' Retirement System**  
**Last 10 Fiscal Years (In Thousands)**  
**Required Supplementary Information**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 378	373	353	345	298	304	299	268	256	248
Contributions in relation to the statutorily required contribution	(378)	(373)	(353)	(345)	(298)	(304)	(299)	(268)	(256)	(248)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,266	4,191	4,218	4,281	4,284	4,635	4,664	4,347	4,405	4,308
Contributions as a percentage of covered-employee payroll	8.86%	8.90%	8.37%	8.06%	6.96%	6.56%	6.41%	6.17%	5.81%	5.76%

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Notes to Required Supplementary Information - Pension Liability**  
**Year Ended June 30, 2015**

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Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implements the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**Mount Ayr Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**  
**Year ended June 30, 2015**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	310,185	310,185	0.0%	\$ 3,697,800	8.4%
2011	July 1, 2009	-	310,185	310,185	0.0%	3,696,096	8.4%
2012	July 1, 2009	-	310,185	310,185	0.0%	3,946,165	7.9%
2013	July 1, 2009	-	310,185	310,185	0.0%	4,318,722	7.2%
2014	July 1, 2009	-	310,185	310,185	0.0%	4,268,436	7.3%
2015	July 1, 2012	-	218,379	218,379	0.0%	4,266,265	5.1%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress

See accompanying independent auditor's report.

### **Supplementary Information**

## Schedule 1

**Mount Ayr Community School District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2015**

	Special Revenue		
	Management	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 251,410	194,587	445,997
Receivables:			
Property tax:			
Delinquent	4,089	-	4,089
Succeeding year	200,000	-	200,000
Accounts	-	2,369	2,369
Due from other funds	17,615	-	-
Due from other governments	30,114	-	30,114
<b>Total assets</b>	<b>\$ 503,228</b>	<b>196,956</b>	<b>682,569</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 233	1,242	1,475
Early retirement payable	1,200	-	1,200
Total liabilities	1,433	1,242	2,675
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	200,000	-	200,000
Total deferred inflows of resources	200,000	-	200,000
Fund balances:			
Restricted for:			
Management levy purposes	301,795	-	301,795
Student activities	-	195,714	195,714
Total fund balances	301,795	195,714	497,509
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 503,228</b>	<b>196,956</b>	<b>700,184</b>

See accompanying independent auditor's report.

## Schedule 2

**Mount Ayr Community School District****Combining Schedule of Revenues, Expenditures and Changes in Fund Balances****Non-Major Governmental Funds****June 30, 2015**

	Special Revenue		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 301,500	-	301,500
Other	16,539	441,161	457,700
State sources	-	-	-
Total revenues	318,039	441,161	759,200
Expenditures:			
Current:			
Instruction:			
Regular	34,841	-	34,841
Other	-	410,465	410,465
Support Services:			
Administration	143,000	-	143,000
Operation and maintenance of plant	46,956	-	46,956
Student transportation	14,763	-	14,763
Total expenditures	239,560	410,465	650,025
Excess (deficiency) of revenues over (under) expenditures	78,479	30,696	109,175
Other financing sources (uses):			
Operating transfers out	-	(10,000)	(10,000)
Fiscal agent sources	63,360		63,360
Total other financing sources(uses)	63,360	(10,000)	53,360
Change in fund balances	141,839	20,696	162,535
Fund balances beginning of year	159,956	175,018	334,974
Fund balances end of year	\$ 301,795	195,714	497,509

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**June 30, 2015**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
<b>Assets</b>				
Cash and pooled investments	\$ 706,977	67,235	810,943	1,585,155
Receivables:				
Property tax:				
Current year delinquent	-	1,104	-	1,104
Succeeding year	-	437,359	-	437,359
Accounts	-	-	9,500	9,500
Due from other governments	92,581	-	-	92,581
<b>Total assets</b>	<b>\$ 799,558</b>	<b>505,698</b>	<b>820,443</b>	<b>2,125,699</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ 19,305	-	6,009	25,314
Total liabilities	19,305	-	6,009	25,314
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	437,359	-	437,359
Total deferred inflows of resources	-	437,359	-	437,359
Fund balances:				
Restricted for:				
Debt service	263,731	-	-	263,731
School infrastructure	516,522	-	814,434	1,330,956
Physical, plant and equipment	-	68,339	-	68,339
Total fund balances	780,253	68,339	814,434	1,663,026
<b>Total liabilities, deferred inflows or resources and fund balances</b>	<b>\$ 799,558</b>	<b>505,698</b>	<b>820,443</b>	<b>2,125,699</b>

See accompanying independent auditor's report.

## Schedule 4

## Mount Ayr Community School District

## Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

## Capital Project Accounts

Year ended June 30, 2015

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	84,388	-	84,388
Other	105	-	855,273	855,378
State sources	597,092	10	-	597,102
Total revenues	597,197	84,398	855,273	1,536,868
Expenditures:				
Current:				
Support Services:				
Administration	-	-	142	142
Operation and maintenance of plant	5,000	-	-	5,000
Transportation	16,000	21,900	-	37,900
	21,000	21,900	142	43,042
Other expenditures:				
Facilities acquisition	162,865	137	40,697	203,699
Total expenditures	183,865	22,037	40,839	246,741
Excess (deficiency) of revenues over (under) expenditures	413,332	62,361	814,434	1,290,127
Other financing sources (uses):				
Fiscal agent sources	93,852	15,229	-	109,081
Operating transfers out	(254,087)	-	-	(254,087)
Total other financing sources(uses)	(160,235)	15,229	-	(145,006)
Change in fund balances	253,097	77,590	814,434	1,145,121
Fund balances beginning of year	527,156	(9,251)	-	517,905
Fund balances end of year	\$ 780,253	68,339	814,434	1,663,026

See accompanying independent auditor's report.



## Schedule 5

**Mount Ayr Community School District**  
**Combining Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Sites for Learning	Total	Flexible Benefits
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 61,628	40,806	102,434	-
Accounts receivable	22	10,171	10,193	-
Inventories	10,082	-	10,082	-
Total current assets	71,732	50,977	122,709	-
Non-current assets:				
Property and equipment:				
Machinery and equipment	291,117	-	291,117	-
Accumulated depreciation	(248,963)	-	(248,963)	-
Total non-current assets	42,154	-	42,154	-
<b>Total assets</b>	<b>\$ 113,886</b>	<b>50,977</b>	<b>164,863</b>	<b>-</b>
<b>Deferred Outflows of Resources</b>				
Pension related deferred outflows	10,602	3,937	14,539	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 76	2,461	2,537	263
Salaries and benefits payable	25,156	3,149	28,305	-
Total current liabilities	25,232	5,610	30,842	263
Non-current liabilities:				
Net pension liability	75,152	27,909	103,061	-
Net OPEB liability	1,340	-	1,340	-
Total non-current liabilities	76,492	27,909	104,401	-
<b>Total liabilities</b>	<b>101,724</b>	<b>33,519</b>	<b>135,243</b>	<b>263</b>
<b>Deferred Inflows of Resources</b>				
Pension related deferred inflows	28,661	10,643	39,304	-
<b>Net Position</b>				
Net investment in capital assets	42,154	-	42,154	-
Unrestricted	(48,051)	10,752	(37,299)	(263)
<b>Total net position</b>	<b>\$ (5,897)</b>	<b>10,752</b>	<b>4,855</b>	<b>(263)</b>

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Sites for Learning	Total	Flexible Benefits
Operating revenues:				
Local sources:				
Other local sources:				
Food service sales	\$ 159,782	-	159,782	-
Other operating revenues	2,599	53,907	56,506	1,266
Total operating revenues	162,381	53,907	216,288	1,266
Operating expenses:				
Instructional programs:				
Instruction:				
Salaries	-	46,820	46,820	-
Benefits	-	6,682	6,682	-
Services	-	4,080	4,080	-
Supplies	-	7,638	7,638	-
Support services:				
Administration				
Services	-	-	-	1,824
	-	65,220	65,220	1,824
Non-instructional programs:				
Food services operations:				
Salaries	126,075	-	126,075	-
Benefits	26,810	-	26,810	-
Services	599	-	599	-
Supplies	215,512	-	215,512	-
Depreciation	1,769	-	1,769	-
	370,765	-	370,765	-
Total operating expenses	370,765	65,220	435,985	1,824
Operating gain (loss)	(208,384)	(11,313)	(219,697)	(558)
Non-operating revenues:				
State lunch and breakfast program claims	3,597	-	3,597	-
National School Lunch Program	145,982	-	145,982	-
School Breakfast Program	57,054	-	57,054	-
Food distribution	23,196	-	23,196	-
Transfer in	-	10,000	10,000	-
Total non-operating revenues	229,829	10,000	239,829	-
Change in net position	21,445	(1,313)	20,132	(558)
Net position beginning of year, as restated	(27,342)	12,065	(15,277)	295
Net position end of year	\$ (5,897)	10,752	4,855	(263)

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Combining Statement of Cash Flows**  
**Proprietary Funds**  
**June 30, 2015**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Sites for Learning	Total	Flexible Benefits
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 160,024	-	160,024	-
Cash received from other operating activities	2,599	50,978	53,577	1,266
Cash payments to employees for services	(152,980)	(51,140)	(204,120)	-
Cash payments to suppliers for goods or services	(193,214)	(10,207)	(203,421)	(1,561)
Net cash provided (used) by operating activities	(183,571)	(10,369)	(193,940)	(295)
Cash flows from non-capital financing activities:				
State grants received	3,597	-	3,597	-
Federal grants received	203,036	-	203,036	-
Net cash provided by non-capital financing activities	206,633	-	206,633	-
Cash flows from capital and related financing activities:				
Transfers	-	10,000	10,000	-
Net cash provided (used) by capital and related financing activities	-	10,000	10,000	-
Net increase (decrease) in cash and cash equivalents	23,062	(369)	22,693	(295)
Cash and cash equivalents at beginning of year	38,566	41,175	79,741	295
Cash and cash equivalents at end of year	\$ 61,628	40,806	102,434	-
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>				
Operating gain (loss)	\$ (208,384)	(11,313)	(219,697)	(558)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Commodities used	23,196	-	23,196	-
Decrease (Increase) in accounts receivable	242	(2,929)	(2,687)	-
Depreciation	1,769	-	1,769	-
Decrease in inventories	994	-	994	-
Increase (Decrease) in accounts payable	(1,293)	1,511	218	263
Increase in salaries and benefits payable	684	3,149	3,833	-
(Decrease) in net pension liability	(31,251)	(11,605)	(42,856)	-
Increase in net OPEB liability	1,340	-	1,340	-
Decrease (Increase) in deferred outflows of resources	471	175	646	-
Increase in deferred inflows of resources	28,661	10,643	39,304	-
Net cash provided (used) by operating activities	\$ (183,571)	(10,369)	(193,940)	(295)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>				
Current assets:				
Cash	\$ 61,628	40,806	102,434	-
Cash and cash equivalents at year end	\$ 61,628	40,806	102,434	-

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2015, the District received federal commodities valued at \$23,196.

See accompanying independent auditor's report.

## Schedule 8

**Mount Ayr Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2015**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Adult Education	\$ 3,574	-	2,172	1,402
Art Club	50	600	600	50
Athletics:				
Football	8,883	48,832	40,241	17,474
Volleyball	366	7,264	6,057	1,573
Wrestling	1,836	9,745	6,883	4,698
Boys' basketball	723	2,626	3,477	(128)
Girls' basketball	2,716	3,054	3,647	2,123
Boys' track	1,751	10,807	8,708	3,850
Girls' track	455	6,428	5,645	1,238
Cross Country resale	416	1,126	980	562
Golf	1,729	5,717	5,298	2,148
Baseball	9,391	16,465	22,282	3,574
Softball	30	5,148	3,208	1,970
Bowling	80	80	78	82
General Athletics	16,556	132,341	122,711	26,186
Ayrian	9,298	11,314	11,314	9,298
Band	874	5,260	4,694	1,440
Stand for the Silent	449	123	-	572
Cheerleaders	1,180	6,386	6,134	1,432
Class:				
Senior	1,728	2,728	4,431	25
Junior	4,166	5,280	6,197	3,249
Sophomore	2,025	225	-	2,250
Freshman	2,250	(192)	-	2,058
Concessions	2,401	53,315	50,300	5,416
Drama Club	4,560	9,799	10,862	3,497
Drill Team	2,035	8,103	7,271	2,867
Elementary Activities	5,240	11,148	6,054	10,334
Elementary Library	735	1,638	1,394	979
Elementary Student Council	2,298	26	-	2,324
Future Consumer Comm Leadership Assoc	1,094	326	422	998
Future Farmers of America	14,835	29,767	30,125	14,477
Gifts/Memorials	3,187	1,929	1,481	3,635
Industrial Arts	(17)	3,487	1,890	1,580
Hall of Fame	1,000	5,300	1,531	4,769
Middle School	4,115	(319)	-	3,796
National Honor Society	-	3,271	2,989	282
Pep Club	-	(680)	-	(680)
Resale	2,483	-	-	2,483
S.A.D.D.	753	-	-	753
Science Club	259	-	-	259
SFL	34,555	18,421	24,187	28,789
Talented and Gifted Club	1,689	-	-	1,689
Special Olympics	2,029	502	1,135	1,396
Student Council	446	501	490	457

## Schedule 8

**Mount Ayr Community School District****Schedule of Changes in Special Revenue Fund, Student Activity Accounts****Year ended June 30, 2015**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Student Activity/vending	2,573	1,960	766	3,767
Tech Club	1,201	1,492	1,840	853
Vocal music	868	2,330	2,441	757
Weightlifting	4,312	160	2,023	2,449
Laptop Program	11,609	7,328	8,507	10,430
Middle School Student Council	232	-	-	232
Total	<u>\$ 175,018</u>	<u>441,161</u>	<u>420,465</u>	<u>195,714</u>

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,606,166	3,828,696	4,057,916	4,153,059	3,773,074	3,696,028	3,753,308	3,250,186	2,767,016	2,572,488
Tuition	423,034	470,430	452,673	409,907	351,984	383,168	406,661	556,040	608,610	529,221
Other	1,479,774	649,761	606,705	533,259	646,502	640,009	1,222,713	600,441	539,291	452,485
Intermediate sources	17,949	26,939	29,318	98,520	22,688	30,171	28,627	33,771	16,026	9,184
State sources	4,318,079	4,048,539	3,542,800	3,372,499	3,254,842	2,876,171	3,401,412	3,328,660	3,115,847	3,178,765
Federal sources	339,063	312,385	583,471	601,384	1,128,122	846,533	438,928	374,159	345,295	357,147
Total	<u>\$ 10,184,065</u>	<u>9,336,750</u>	<u>9,272,883</u>	<u>9,168,628</u>	<u>9,177,212</u>	<u>8,472,080</u>	<u>9,251,649</u>	<u>8,143,257</u>	<u>7,392,085</u>	<u>7,099,290</u>
Expenditures:										
Instruction:										
Regular	\$ 2,611,318	2,595,503	2,512,760	2,476,134	2,554,927	2,298,973	2,705,269	2,561,874	2,441,247	2,252,637
Special	1,318,543	1,351,797	1,262,584	1,225,910	1,247,088	1,282,803	1,316,604	1,101,386	1,229,717	1,359,199
Other	1,395,783	1,119,585	1,298,162	1,102,162	1,145,246	1,305,973	1,182,923	991,338	931,330	973,588
Support services:										
Student	222,916	257,194	163,126	253,410	174,013	214,196	208,071	179,619	185,798	206,175
Instructional staff	178,053	179,366	398,471	429,304	282,402	269,110	349,186	289,891	289,064	304,577
Administration	785,903	788,329	733,337	727,778	706,870	780,963	815,824	835,415	866,402	825,682
Operation and maintenance of plant	680,132	663,026	623,458	654,235	681,633	631,017	630,818	651,021	556,011	573,287
Transportation	391,949	633,638	468,127	418,737	491,031	370,842	481,274	445,958	503,431	425,201
Other expenditures:										
Facilities acquisition	203,699	297,720	361,064	545,317	1,319,845	5,307,406	3,826,197	504,012	101,995	223,998
Long-term debt:										
Principal	685,000	680,000	530,000	409,071	412,161	375,902	244,702	23,558	22,467	46,419
Interest and other charges	189,542	202,218	414,727	367,544	384,614	411,004	292,306	48,860	6,351	7,392
AEA flowthrough	258,834	246,746	235,770	233,293	268,451	267,205	248,593	236,762	228,129	222,117
Total	<u>\$ 8,921,672</u>	<u>9,015,122</u>	<u>9,001,586</u>	<u>8,842,895</u>	<u>9,668,281</u>	<u>13,515,394</u>	<u>12,301,767</u>	<u>7,869,694</u>	<u>7,361,942</u>	<u>7,420,272</u>

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2015**

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 15	\$ 57,054
National School Lunch Program	10.555	FY 15	169,178
			<u>226,232</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 14	6,221
Title I Grants to Local Educational Agencies	84.010	FY 15	138,494
			<u>144,715</u>
Vocational Education - Basic Grants to States	84.048	FY 15	<u>12,124</u>
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY 15	<u>31,378</u>
Rural Education Achievement Program	84.358	FY 15	<u>43,512</u>
Title IIA - Federal Teacher Quality Program	84.367	FY 15	<u>38,430</u>
Grants for State Assessments	84.369	FY 15	<u>3,035</u>
Heartland Area Education Agency			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 15	<u>30,683</u>
Total			<u>\$ 530,109</u>

**Mount Ayr Community School District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Mount Ayr Community School District for the year ended June 30, 2015. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of states, Local Governments and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2. Significant Accounting Policies**

For governmental funds, in accordance with the modified accrual basis of accounting, revenue from federal grants is recognized when they become both measureable and available. For proprietary funds, in accordance with the accrued basis of accounting, revenues from federal grants are recognized in the period they are earned. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

**Note 3. Noncash Assistance**

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$23,196 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, CFDA No. 10.555.





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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Education of Mount Ayr Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Mount Ayr Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mount Ayr Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mount Ayr Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mount Ayr Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Ayr Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Mount Ayr Community School District's Responses to Findings

Mount Ayr Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Mount Ayr Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mount Ayr Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

December 18, 2015



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**Independent Auditor's Report on Compliance for Each Major Federal Program  
and on Internal Control over Compliance Required by OMB Circular A-133**

To the Board of Education of Mount Ayr Community School District:

Report on Compliance for Each Major Federal Program

We have audited Mount Ayr Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Mount Ayr Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mount Ayr Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mount Ayr Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Mount Ayr Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Mount Ayr Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of Mount Ayr Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mount Ayr Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mount Ayr Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 (2014-001) to be a material weakness.

Mount Ayr Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Mount Ayr Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

December 18, 2015

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mount Ayr Community School District did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

II-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program**  
**Federal Award Year: 2015**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.010: Title I Grants to Local Educational Agencies**  
**Federal Award Year: 2015**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

III-A-15 (2014-001) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-15 Certified Budget - Expenditures for the year ended June 30, 2015, exceeded the certified budget amounts in the other expenditures functional area.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-15 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-15 Business Transactions - No business transactions were noted between the District and District officials or employees.

IV-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

**Mount Ayr Community School District**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

- IV-F-15 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-G-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-H-15 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-15 Sale of Property - During the year ended June 30, 2015, the District made sales of property in accordance with Chapter 297.22 of the Code of Iowa.
- IV-K-15 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-15 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance, as restated		\$	527,156
Revenues/transfers in:			
Sales tax revenues	\$	597,092	
Other local revenues		93,957	
Intermediate sources of revenues		-	691,049
			<u>1,218,205</u>
Expenditures/transfers out:			
Operation and maintenance of plant		5,000	
Transportation		16,000	
School infrastructure construction		162,865	
Transfers to other funds:			
Debt service funds		254,087	437,952
			<u>437,952</u>
Ending balance		\$	<u>780,253</u>

For the year ended June 30, 2015, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation		Property Tax Dollars Reduced
Debt service levy	\$	2.28756	611,452

**Mount Ayr Community School District**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

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IV-M-15    Deficit Balances – The School Nutrition Fund had a deficit balance at June 30, 2015.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate this deficit in the Physical Plant and Equipment Levy Fund at the end of the fiscal year.

Conclusion – Response accepted.

IV-N-15    Certified Enrollment – A variance in the basic enrollment data certified to the Department of Education was noted.

Recommendation – The certified enrollment data should be corrected for students who exit the District.

Response – We will correct the certified enrollment in the future for students exiting the system.

Conclusion – Response accepted.